

HOUSE BILL NO. 616

INTRODUCED BY D. MCGEE

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE COMMISSION ON MONTANA TAXATION; DESCRIBING THE MEMBERSHIP AND DUTIES OF THE COMMISSION ON MONTANA TAXATION; CREATING THE ADVISORY COUNCIL ON EDUCATION FINANCE; DESCRIBING THE MEMBERSHIP AND DUTIES OF THE ADVISORY COUNCIL ON EDUCATION FINANCE; APPROPRIATING FUNDS FOR THE ACTIVITIES OF THE COMMISSION ON MONTANA TAXATION AND THE ADVISORY COUNCIL ON EDUCATION FINANCE; AND PROVIDING EFFECTIVE DATES AND A TERMINATION DATE."

WHEREAS, Montanans have worked and continue to work diligently to strengthen their economy and improve their individual and common opportunities; and

WHEREAS, the structure of public finance, including taxation, that Montanans sustain and upon which public programs and services rely is grounded in the nineteenth-century, a time during which that system of public finance was conceived; and

WHEREAS, Montana's woeful position within the respective economies of the 50 states of the United States is at least partially attributable to this state's reliance on an antiquated, if not obsolete, tax structure; and

WHEREAS, in order to place the state in the best possible position economically for the twenty-first century, it is timely, prudent, and necessary to exert what influence is possible through public policy, including the restructuring of state and local taxation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Commission on taxation. (1) There is a commission on Montana taxation. The commission is attached to the department of revenue for administrative purposes only.

(2) The commission is composed of:

(a) two members of the senate, to be appointed by the president;

(b) one member of the senate, to be appointed by the minority leader;

(c) two members of the house of representatives, to be appointed by the speaker;

(d) one member of the house of representatives, to be appointed by the minority leader;

(e) the superintendent of public instruction or the superintendent's designee;

(f) the director of the department of revenue;

(g) the governor or the governor's designee; and

(h) the following members to be appointed by the governor:

(i) one representative of county government appointed from a list of three individuals to be submitted by the Montana association of counties;

(ii) one representative of municipal government appointed from a list of three individuals to be submitted by the Montana league of cities and towns;

(iii) one representative of Montana's agricultural industries;

(iv) one representative of Montana's nonagricultural natural resource industries;

(v) one representative of the tourism industry in Montana; and

(vi) one representative of the retail industry in Montana.

(3) The members shall elect a presiding officer and a vice presiding officer from among the members and may elect any other officers that the members consider to be necessary.

(4) In case of a vacancy, a replacement must be selected in the same manner of the original appointment.

(5) (a) Legislative members of the commission are entitled to salary and expenses as provided in 5-2-302.

(b) A member who is also a public employee, as defined in 2-2-102, is entitled to reimbursement for expenses as provided in 2-18-501 through 2-18-503.

(c) Nonlegislative members and members who are not public employees are entitled to:

(i) compensation of \$71.83 for each day, defined as a 24-hour period of time from midnight to midnight, or portion of a day spent away from home on authorized commission business. However, if time spent for business other than authorized commission business results in lengthening a member's stay away from home into an additional 24-hour period, the member may not be compensated for the additional day.

(ii) reimbursement for expenses as provided in 2-18-501 through 2-18-503.

(6) Members of the commission must be appointed by July 1, 2001, and serve until June 30, 2003.

(7) The charge of the commission is to develop, finalize, and make available for general distribution

1 prior to September 1, 2002, a list of specific recommendations, in the form of legislation if appropriate,
2 to:

3 (a) establish a balanced tax structure in Montana that is designed to:

4 (i) minimize the property tax burden on residential property, which may include eliminating
5 residential property taxes or substituting a flat fee for property taxes on residential property;

6 (ii) wherever advisable, reduce or eliminate deductions, exemptions, exclusions, credits, deferrals,
7 and the like from the basis of each tax, fee, charge, assessment, exaction, and the like imposed by the
8 state or any subdivision of the state;

9 (iii) wherever possible, consolidate different classes or categories of taxpayers, property, income,
10 production, consumption, or the like;

11 (iv) broaden the state's tax base to include taxes on property, income, consumption, and
12 production;

13 (v) provide sufficient revenue to adequately fund, on an ongoing basis, the services that are and
14 most likely will continue to be provided by the state and political subdivisions of the state, including but
15 not limited to counties, municipalities, elementary and secondary schools, and the Montana university
16 system;

17 (vi) be understandable, as simple as possible, relatively easy to administer, and economically
18 neutral; and

19 (vii) with respect to individual income taxation:

20 (A) reduce statutory tax rates, but particularly the highest marginal rate; and

21 (B) promote the economic concept of horizontal equity under which taxpayers having similar
22 incomes are subject to similar levels of taxation; and

23 (b) ensure a well-reasoned, pragmatic allocation of revenue between and among the state and
24 political subdivisions of the state.

25 (8) The commission shall endeavor to base its recommendations on documented findings and
26 reasoned conclusions developed through detailed investigation and analysis, including consideration of any
27 recommendations from the advisory council on education finance established in [section 2]. The
28 investigation and analysis may include but are not limited to historical data, case studies, surveys,
29 consultation with tax practitioners and experts in economics and theories of taxation, town meetings,
30 comparative analysis of other political jurisdictions, forecasts of potential changes in demographics,

1 economics, or technology, or other factors and influences.

2 (9) The commission may employ any staff considered by the commission necessary to carry out
3 its charge.

4 (10) (a) The department of revenue shall provide staff assistance to the commission as requested
5 and may request assistance from the staff of the governor's office of budget and program planning or any
6 other agency of the executive branch.

7 (b) The commission may request assistance from the Montana university system, any political
8 subdivision of the state, or any private or nonprofit organization that is considered by the commission to
9 have useful information, knowledge, or insight.

10 (c) Upon request by the commission, the legislative council or the legislative finance committee
11 may provide staff assistance to the commission in compiling information, conducting analyses, or preparing
12 recommendations in the form of legislation.

13

14 NEW SECTION. **Section 2. Advisory council on education finance.** (1) There is an advisory council
15 on education finance. The advisory council is attached to the department of revenue for administrative
16 purposes only.

17 (2) The advisory council is composed of:

18 (a) the superintendent of public instruction or the superintendent's designee;

19 (b) the following members to be appointed by the commission on Montana taxation:

20 (i) one member of the senate who must also be a member of the commission on Montana taxation;

21 and

22 (ii) one member of the house of representatives who must also be a member of the commission
23 on Montana taxation; and

24 (c) the following members to be appointed by the governor:

25 (i) one member who must be an employee of the governor's office but who may not be a member
26 of the commission on Montana taxation; and

27 (ii) two members who must be employed as public school finance officers and who may not be
28 members of the commission on Montana taxation.

29 (3) The members shall elect a presiding officer from among the members and may elect any other
30 officers that the members consider to be necessary.

1 (4) In case of a vacancy, a replacement must be selected in the same manner of the original
2 appointment.

3 (5) (a) Legislative members of the advisory council are entitled to salary and expenses as provided
4 in 5-2-302.

5 (b) A member who is also a public employee, as defined in 2-2-102, or a school finance officer
6 is entitled to reimbursement for expenses as provided in 2-18-501 through 2-18-503.

7 (6) Members of the advisory council must be appointed by September 1, 2001, and serve until
8 June 30, 2003.

9 (7) (a) The charge of the advisory council is to consider the ongoing activities and actions of the
10 commission on Montana taxation and, under guidance provided by the commission on Montana taxation,
11 develop a list of specific recommendations, in the form of legislation if appropriate, that will revise the
12 structure and process of funding public elementary and secondary education in Montana.

13 (b) The advisory council shall become and remain apprised of the activities of the commission on
14 Montana taxation and meet with the commission at least quarterly to exchange information.

15 (8) (a) The department of revenue shall provide staff assistance to the advisory council as
16 requested and may request assistance from the staff of the governor's office of budget and program
17 planning or any other agency of the executive branch.

18 (b) The advisory council may request assistance from the Montana university system, any political
19 subdivision of the state, or any private or nonprofit organization that is considered by the advisory council
20 to have useful information, knowledge, or insight.

21 (c) Upon request by the advisory council, the legislative council or the legislative finance
22 committee may provide staff assistance to the advisory council in compiling information, conducting
23 analyses, or preparing recommendations in the form of legislation.

24 (9) The final recommendations of the advisory council must be:

25 (a) based on the revised structure of taxation in Montana as developed by the commission on
26 Montana taxation; and

27 (b) delivered to the commission on Montana taxation by July 1, 2002.

28

29 NEW SECTION. **Section 3. Appropriation -- donations.** (1) (a) There is appropriated \$10,000 from
30 the general fund to the department of revenue for the fiscal year ending June 30, 2001.

(b) There is appropriated \$250,000 from the general fund to the department of revenue for the fiscal biennium ending June 30, 2003.

(c) The appropriations in this subsection (1) may be used only to support the activities of the commission on Montana taxation established in [section 1] and the advisory council on education finance established in [section 2].

(2) The department of revenue may accept gifts, grants, or other donations for the purpose of offsetting the costs of carrying out the charge of the commission on Montana taxation under [section 1] and the advisory council on education finance under [section 2].

(3) There is appropriated for the fiscal biennium ending June 30, 2003, to the department of revenue up to \$250,000 of any gifts, grants, or other donations received under this section.

(4) If the total amount of gifts, grants, and donations received by June 30, 2003, exceeds the amount appropriated under subsection (3), the excess must be refunded to the donors in the ratio of their respective gift, grant, or donation to the total gifts, grants, and donations received.

(5) If the total amount of gifts, grants, and donations expended by June 30, 2003, is less than the total amount received as gifts, grants, and donations, the excess must be refunded to the donors in the ratio of their respective gift, grant, or donation to the total gifts, grants, and donations received.

NEW SECTION. Section 4. Effective dates. (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Section 3(1)(b), (3), (4), and (5)] are effective July 1, 2001.

NEW SECTION. Section 5. Termination. [This act] terminates June 30, 2003.

- END -